MEMORANDUM

INTERMOUNTAIN POWER SERVICE CORPORATION

TO: Joe Hamblin

FROM: Dennis Killian

DATE: January 10, 2011

SUBJECT: Update - Environmental Considerations for Dense Pack Operation

As a follow-up to my memorandum of August 1, 2002 (attached) concerning environmental issues when operating the dense pack modification, I am providing this update to clarify those issues.

Last month IPSC environmental personnel, IPA's Reed Searle, and our counsel met with Utah Division of Air Quality staff and the Utah Assistant Attorney General to resolve questions of interpretation concerning when environmental restrictions apply. As a result, we understand that the State's position is that Unit Two' modifications has caused new limits to kick in.

As of April 1, 2002, the new short term limit for NOx on Unit Two is 0.461 lb/MBtu on a 30 day rolling average, SO2 is 0.138 lb/Mbtu on a thirty day rolling average, and PM10 is 0.0184 lb/MBtu on a three hour instantaneous average. These new limits will also apply to Unit One after the 2003 Spring outage.

Additionally, as of April 1, 2002 the new plant-wide cap was triggered on increased emissions. For SO2 and NOx, that cap is 40 tons or less of emissions increase due to the modifications averaged over any given 12 month period. For PM10, the cap is 15 tons. These caps are annual (rolling 12 month) limits on emissions of both units combined, not individually. The values for each of the preceeding were charted in my earlier memorandum.

In order to assist Operations in meeting the new cap, Engineering Services is developing a new Plant Information screen that shows a NOx and SO2 target emission rate in lb/Mbtu based upon the current production rate. This target is calculated on a per unit basis as well as a combined unit basis, using the cap that needs to be met when accounting for a year's worth of NOx and SO2 emissions. The target rate provides Unit Operators an instantaneous goal to compare against actual current operating conditions.

The purpose in providing this screen is to help steer plant

operation to minimize emissions while increasing production. I cannot over-emphasize the potential impact upon IPSC if our annual emissions for NOx or SO2 exceed 40 tons.

The following chart outlines where we are at as the year is progressing, as well as a projection of how we are lining up to meet the annual emissions cap. The chart also indicates the rate at which a given must be operated to meet the cap at the end of the WEPCO accounting period (3/31/2003).

If you have any questions or comments, please contact myself or Blaine Ipson.

BP/RJC/jg

WEPCO Projections

Unit2	NOx	SO2
Baseline[1]	13163.0	1931.2
So Far (tons)	8152.4	1136.2
Yet to go (tons)	5010.6	795.1
Rate to meet[2]	0.380	0.060
Year end at current rate[3]	398.9	-41.2

Unit 1	NOx	SO2
Baseline[1]	13419.5	1855.4
So Far (tons)	8190.1	1058.8
Yet to go (tons)	5229.4	796.6
Rate to meet[2]	0.483	0.074
Year end at current rate[3]	-636.9	-202.8

Plant	NOx	SO2
Baseline[1]	26591.5	3787.5
So Far (tons)	16342.5	2195.0
Yet to go (tons)	10249.0	1592.5
Rate to meet[2]	0.427	0.066
Year end at current rate[3]	-245.0	-248.9

([1]Tons per year. [2]lb/mmbtu. [3]Actual projected tons over WEPCO, but not necessarily unaccounted.)

Assumptions: Same average heat input rates as since 4/1/02 (U2:7729mmbtu/hr; U1:7523mmbtu/hr). Accounts for a 31 day outage on Unit 1, and a 9 day outage on Unit 2. NOTE: To account for outages, Unit 2 rates could be increased by 4% and Unit 1 Rates should be decreased by 13%.

cc: Blaine Ipson
George Cross
Jerry Hintze